

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company for Authorization to: (1) Obtain Long-Term Debt Capital Not to Exceed the Equivalent of U.S. \$800,000,000; (2) Guarantee the Obligations of Others with Respect to the Issuance of Certain Tax-exempt Securities; (3) Include Certain Features in Debt Securities or Enter Into Certain Derivative Transactions to Lower Cost of Money; (4) Obtain an Exemption From the Competitive Bidding Rule; (5) Enter Into Interest Rate Swaps, Caps, Collars and/or Currency Exchange Contracts; (6) Issue and Sell Not More than U.S. \$200,000,000 Par or Stated Value or Preferred or Preference Stock; and (7) Take All Other Necessary, Related Actions. (U 904-M)

Application 06-02-017
(Filed February 14, 2006)

**ADMINISTRATIVE LAW JUDGE'S RULING
REQUIRING APPLICANT TO PROVIDE FURTHER
INFORMATION IN SUPPORT OF THE APPLICATION**

Background

On February 14, 2006 San Diego Gas & Electric Company (SDG&E) filed Application (A.) 06-02-017 for authority to issue various debt securities not to exceed \$800 million in aggregate principal. Upon an initial review, the assigned Administrative Law Judge (ALJ) determined further information or explanations are necessary to expeditiously review this request. SDG&E appears to indicate in the application that there are only two currently effective decisions that

authorize SDG&E to issue new debt or preferred stock securities: Decision (D.) 04-01-009, and D.93-09-069, which has been extended by D.96-05-066 and D.00-01-016.

Further Information

1. SDG&E indicates that it seeks authority to issue: (a) secured debt, (b) unsecured debt, or debentures, (c) debt in foreign capital markets in U.S. or other currency denomination and proceeds in U.S. or other currency possibly with currency swaps, (d) medium term-notes with maturity in generally 9 months 15 years, but authority for up to 40 years, (e) direct long-term loans greater than one-year pursuant to lines of credit with various institutions, (f) accounts-receivable financing by pledging, selling, or assigning the accounts receivable of the company, (g) tax-exempt debt, (h) variable rate debt of various possible forms, (i) "fall-away" mortgage bonds that are initially secured debt and later convertible into unsecured debt, and (j) subordinated debt, junior in its right of payment to senior secured and unsecured indebtedness. (See Application Section IV, pp. 6 - 10.)

Please indicate for each of the 10 categories (a - j) whether SDG&E has previously been authorized to issue debt securities comparable to the described forms of debt. Include the most recent Commission decision citation authorizing the issuance and whether SDG&E has previously exercised that authority. For all forms not previously authorized and exercised, please provide a more detailed description of the debt instrument and explain its likely benefit and application to SDG&E.

2. SDG&E requests various forms of debt enhancements: (a) put options, (b) Call options, (c) sinking funds, (d) interest rate swaps, (e) "swaptions," (f) caps and collars, (g) currency swaps, (h) credit enhancements - including letters of credit, and other features, (i) capital replacement, (j) interest deferral, (k) special-purpose entity transactions, and delayed drawdown. (See Application Section V,

pp. 10 – 13.)

Please indicate for each of the 11 (a – k) categories whether SDG&E has previously been authorized to issue debt security enhancements comparable to the described forms. Include the most recent Commission decision citation authorizing the issuance/usage and whether SDG&E has previously exercised that authority. For all forms not previously authorized and exercised, please provide a more detailed description of the debt security enhancement and explain its likely benefit and application to SDG&E.

Additionally, indicate the nature of the cost impact and form of recovery in rates for each – for example, does the enhancement result in an immediate expense, affect the interest rate, or reduce the net proceeds, etc.

Finally, indicate whether SDG&E seeks authority to potentially use all 11 forms of credit security enhancement with all 10 forms of debt securities included in the application. If not, please match the specific enhancements applicable to each form of debt security.

3. SDG&E indicates that the potential duration for these instruments stating: “In general, each series of Debt Securities is expected to have a maturity of between one (1) year and one hundred (100) years. Medium-term notes are expected to have a maturity of between nine (9) months and forty (40) years.” (See Application, p. 6.) Provide any examples where either SDG&E or any major California regulate utility has issued “medium-term” notes in excess of 10 years and where any major California regulate utility has issued long-term debt securities with lives greater than 30 years.

IT IS RULED that:

1. San Diego Gas & Electric Company (SDG&E) shall answer the questions in the body of this ruling at its earliest convenience to assist in the expeditious review of its application.

2. SDG&E shall file its response as a supplement to the application and shall serve it on any party (if any) that files a timely protest on or before March 24, 2006. SDG&E shall also serve copies of the supplement on the Director, Energy Division, and Director, Division of Ratepayer Advocates, regardless of whether any party protests the application.

Dated March 14, 2006, at San Francisco, California.

/s/ Douglas Long
Douglas Long
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Requiring Applicant to Provide Further Information in Support of the Application on all parties of record in this proceeding or their attorneys of record.

Dated March 14, 2006, at San Francisco, California.

/s/ Antonina V. Swansen

Antonina V. Swansen

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, *e.g.*, sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.